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C O N F I D E N T I A L SECTION 01 OF 03 BRASILIA 001017

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DEPARTMENT FOR A/S NOREIGA, PDAS DERHAM AND WHA/BSC AND  
PLEASE PASS TO USTR; NSC FOR TOM SHANNON

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TAGS: [PREL](#) [PGOV](#) [ETRD](#) [BR](#) [FTAA](#)

SUBJECT: AMBASSADOR'S MEETING WITH PRESIDENTIAL CHIEF OF STAFF JOSE DIRCEU, 12 APRIL 2005

REF: A. (A) STATE 1149  
B. (B) LA PAZ 1149

Classified By: AMBASSADOR JOHN DANILOVICH. REASONS: 1.4 (B)(D)

**¶1.** (C) Summary/Action Request. On 12 April Ambassador and Polcouns met for a private lunch at the COM Residence with the Presidency's Civil Household Minister and Presidential Chief of Staff Jose Dirceu, who was accompanied by his international affairs advisor, Ambassador Americo Fontanelles. Dirceu, who is President Lula da Silva's closest advisor, indicated he will travel to Caracas this week to meet President Chavez, carrying a strong message (cleared by Lula) that Chavez should stand down from his provocative rhetoric and focus on his country's internal problems. Dirceu also enthusiastically supported the idea of a meeting at the earliest opportunity between Presidents Bush and Lula to "clear the air" on Venezuela and seek a formula for breaking FTAA discussions out of the current "state of paralysis." Ambassador and Dirceu discussed the possibility of a meeting on the margins of the G-8 in Scotland in July, and both said they would stay in touch on this or other options as they coordinated with their governments. Action request: Mission requests Department and NSC assess desirability and feasibility of a presidential bilateral on the margins of the G-8, or other options for a meeting between President Bush and Lula in the next two to three months. End summary/request.

VENEZUELA: CARRYING A MESSAGE TO CHAVEZ

**¶2.** (C) Ambassador said that in his meetings in recent days in Washington, it had been explained that the USG's approach to Chavez henceforth would be lower key, with Washington lowering its rhetorical signature so Chavez would have fewer targets or excuses for anti-U.S. rants. Left in a vacuum, Chavez's own words and actions would reveal his true nature to others, and the USG is disposed to "let him hang himself" in the forum of world opinion, Ambassador added.

**¶3.** (C) Dirceu said that he is traveling to Caracas in the next few days to meet Chavez, and is carrying a blunt message vetted by President Lula. The key points of the message are:

-- "Stop playing with fire..." Chavez's provocations against the U.S. do not serve Venezuela's national interests and are an issue of concern to Brazil and his other neighbors. Drawing on his conversations and experiences during recent travel in the U.S., Dirceu will tell Chavez that not only the USG and U.S. elites are hostile toward him -- American business executives and even the "man in the street" now view Venezuela as a problem for the U.S. Dirceu will stress to Chavez that such a tense situation with American society cannot possibly benefit him or his country;

-- Focus on Venezuela's internal problems: Dirceu will tell Chavez that in the GOB's estimation he should have his hands full dealing with his economic problems, social restiveness and development issues. Those are Venezuela's internal concerns but they affect Brazilian assessments of commercial and integration prospects and Chavez should do his homework, Dirceu said.

**¶4.** (C) Continuing on Venezuela, Dirceu said the GOB does not believe Chavez's arms purchase plans indicate external military designs. A Colombia-Venezuela conflict would be catastrophic for both countries, Dirceu said. Chavez's possible purchase of thousands of AK-47 assault rifles appears directed toward his arming of the local militias he is forming, Dirceu said, but he did not elaborate on why Chavez is forming militias except to observe that Chavez "feels threatened." Dirceu seemed dismissive of the value of conventional arms in South America, asking Ambassador and Polcouns how long they thought Venezuelan F-16s or MIGs (if the GOB purchases them) could stay in the air against a modern foe (read USAF). Unless a country chooses to have long-range missiles or nuclear devices it has no significant deterrent against a powerful national enemy, Dirceu opined, and hence most conventional weapons -- however flashy or costly -- are largely toys for appeasing the "artifacts of national militaries" in developing countries, and not a serious threat to any other state.

15. (C) Ambassador noted that the use of the term "strategic alliance" by Chavez and Lula, and the apparent reluctance of Lula and regional leaders to openly refute or criticize Chavez's most outrageous comments can lead some observers to assume that Brazil and others tacitly agree with Chavez's views and that Chavez is the alliance's de facto spokesman. Dirceu did not respond directly, but assured Ambassador that "there is not a single item of anti-American intent" in Brazil's regional policy matrix. He said that the GOB is focused on integration and economic development, and wants to draw Chavez into "a practical agenda" that will shift his attention and energy in a more positive direction. Dirceu said that Chavez exerts virtually no influence over national leadership in any South American state, and even in the places where his influence sometimes can be seen -- i.e., Bolivia and Ecuador -- Chavez's words and deeds have often backfired, as in the case of Bolivia's harsh public reaction to recent Chavez comments about Bolivian internal affairs (NFI, but see ref b). Ambassador rejoined that Chavez's relative economic independence based on oil resources gives Brazil and other neighboring states less leverage than they might think in persuading Chavez to focus on positive and practical regional integration issues.

#### PRESIDENTIAL MEETING

16. (C) Following up on comments made by the Ambassador about the usefulness of a possible meeting between Presidents Bush and Lula in the next few months if a suitable time and venue could be found, Dirceu stressed that Lula believes it is becoming important to have such a meeting before the November Summit of the Americas. Dirceu said it is crucial that the two Presidents talk candidly with each other, especially on two issues: Venezuela and the direction of FTAA. Beyond "clearing the air" on Venezuela, the USG and GOB need to develop "a common approach" toward the whole Andean Ridge and its various problems, as stability is strongly in the interest of both countries, Dirceu said.

17. (C) On FTAA, Dirceu voiced strong concern about "the state of paralysis" and said the presidents could discuss finding a way to move ahead. Dirceu said the GOB cannot afford to create the impression that it lacks interest in the FTAA. In Dirceu's view, Brazil needs to increase its commercial activities with the U.S. "one hundred fold" and FTAA is an invaluable vehicle. He opined that in five to ten years South America will be "one market" led by Brazil, where hundreds of U.S. firms based in Brazil will have the opportunity to export goods and services across the continent. This "partnership" is key and needs to be strengthened; FTAA can help do this, and trade disputes should be relegated to "routine handling" in the WTO and not allowed to slow cooperation, Dirceu said.

18. (C) Ambassador and Dirceu discussed the possibility of a bilateral meeting on the margins of the July G-8 summit in Scotland (PM Blair has invited Lula) and both said they would explore this and other options with their administrations, staying in touch on the issue.

#### BILATERAL RELATIONS

19. (C) Early in the lunch meeting, Dirceu declared that U.S.-Brazil relations are at their best level "since World War II." Ambassador demurred on agreeing with this completely, but said the two countries cooperate well on a range of issue (e.g., counternarcotics), and that both Secretary Rice and Deputy Secretary Zoellick have a strong

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interest in Brazil and enhancing bilateral relations. Ambassador and PolCouns reviewed two pending bilateral issues -- i.e., conclusion of a bilateral safeguards agreement for U.S. participation in commercial launches at Brazil's Alcantara spaceport and the possibility of negotiating a defense cooperation agreement -- but Ambassador said he would like to see new initiatives for bilateral cooperation. He asked Dirceu to provide a list of areas in which the GOB would like to expand its cooperation with the U.S., with a view to working on some of these questions prior to a possible POTUS visit later in the year. Dirceu undertook to provide suggestions.

10. (C) Ambassador also broached with Dirceu the ongoing problem for the U.S. Mission in selling its excess properties in Brazil, owing to past issues with Brazil's social security system. Dirceu expressed a willingness to help and directed his international affairs advisor to work with the Embassy on the question.

#### CUBA

11. (C) Turning briefly to Cuba, Dirceu said that, despite the relationship between Castro and Chavez, it is not in

Cuba's interest to "have the waters roiled" by Chavez's provocations. On the contrary, Cuba's internal problems are so profound and its economy so fragile that Castro's regime desperately needs a calm regional environment to attempt to deal with these issues and to try to attract more foreign investment. He reiterated statements he had made in his Washington meetings, i.e., that if the USG allowed more direct American commercial involvement and private sector contacts with Cuba, the country would "be transformed beyond recognition in five years."

112. (C) Comment and action request. Jose Dirceu remains Lula's most important advisor, despite some waning of his influence. He retains Lula's complete confidence, has a broad policy coordination role, and we assume that most of what he says closely reflects Lula's own opinions and priorities. In that regard, Dirceu's upcoming mission to Venezuela and his expressed support for the FTAA are intriguing. We will follow up with Dirceu's office for a backbrief on the Chavez meeting, continue to probe for daylight between the internal positions of Dirceu/Lula and others in the GOB vice the foreign ministry on FTAA, and we ask Washington to weigh seriously the option of a meeting between President Lula and President Bush on the margins of the G-8 -- or some other option -- in the next two to three months. It appears that the top level of the GOB wants to reach out to us -- perhaps even reaching around their own foreign ministry -- and we should try to find ways to reach back.

DANILOVICH